

Mr. K. Krishna Pisharodi (*Finance Member*):—Sir,

I beg leave to submit the Financial Statement of the State for the year 1101 M. E.

Preliminary.

This being the first Budget presented for the approval of the Council after its inauguration, I think that it will not be out of place if I commence with a brief review of the development of the finances of the State during the last few years so as to serve as a desirable information for the Members of the Council who have now entered into a sort of partnership with the Government in running the administration of the State, so that they may get themselves acquainted with the working of the financial machinery in the past and be in a better position to advise us as to the developments and changes that they desire in the present and in the time to come.

Financial situation till 1100.

2. (a) 1073—1083.—Nearly thirty years ago, in 1073, in which the revenue was Rs. 24,57,860 and the expenditure Rs. 23,77,796, the closing balance of the State was Rs. 46,19,000, the major portion of which was invested in $3\frac{1}{2}$ per cent Government of India Promissory Notes. The policy of the Darbar of thus hoarding up surpluses was criticised from year to year by the Madras Government and these criticisms resulted in 1075 in the adoption of a 'spirited financial policy' viz., embarking upon the construction of the Cochin State Railway. The spirited financial policy however met with a serious reverse when it was brought face to face with actualities. The surplus dwindled to nothing and the year 1077 closed with a temporary loan of three lakhs of rupees in addition to the five per cent Railway debenture loan of ten lakhs, as against the cash balance of Rs. 2,21,935. The Tramway scheme, which

involved a heavy capital outlay was also launched soon after, and the financial situation became steadily worse, so that, at the end of 1082, the liabilities of the State stood at Rs. 23,95,000 including the 4 per cent second debenture loan of ten lakhs, as against the cash balance of Rs. 5,95,430. In that year, the receipts of the State stood at Rs. 32,02,451 and the disbursements at Rs. 32,65,224 resulting in a deficit.

(b) 1083—1090.—About the end of 1083, the finances of the State underwent a careful examination and review and a scheme was then formulated with the object of reducing these liabilities in the near future. A definite financial programme was laid down, taking into consideration the possibilities regarding future surpluses and after making provision for all improvements and reforms already taken in hand as well as those in contemplation. A sinking fund was also started at the end of 1084 so as to lose no time in setting apart sufficient funds from the annual surpluses to meet the first debenture loan of 10 lakhs that was repayable in the last month of 1086. The sinking fund which soon began to grow was more than able to meet the creditors of the first debenture loan in 1086 with the result that, at the end of 1087, that is, in four years' time, all the liabilities were completely wiped out with sufficient money in the sinking fund to liquidate the 4 per cent debenture loan on maturity and the State was able to come out of a lengthened phase of chronic indebtedness, the year having closed with a net surplus of Rs. 1,92,000 to the credit of the State. The development of the finances of the State during the next few years brought about by the full effects of the Land Revenue Settlement, the introduction of the Railway, the extensive operations of the Forest Department, etc., etc., was so rapid and remarkable that at the end of 1089, we find that the receipts of the State stood at Rs. 47,06,999 showing an increase of Rs. 14 lakhs as compared with the revenue in 1082 while the disbursements also rose to Rs. 44,05,596 being in excess of the expenditure at the end of 1082 by Rs. 11½ lakhs.

(c) 1090—1100.—The early years of this period were darkened by the war-clouds of Europe but in

spite of their paralysing effects it is extremely gratifying to remark that, by a careful husbanding of the resources and retrenching the expenses of the State during this most arduous period and the years following the finances of the State were steadily improved and placed on a stable footing. The net surplus which stood at Rs. 12,02,274 at the beginning of 1090 rose to Rs. 30,00,352 at the end of 1099. The resources of the State were also steadily developed during this period and these at the end of 1099 stood at Rs. 61,99,234 as against Rs. 46,20,155 in 1090. At the same time, it is worthy of note that the expenditure too did not remain stable, but considerably increased to Rs. 62,30,588 from Rs. 44,59,793.

The accompanying statement compares the financial position of the State during the last 10 years.

The heads mainly responsible for substantial increases in revenue are 'Salt', 'Stamps', 'Abkari', 'Tobacco', 'Customs' and 'Railway' as per statements of receipts and disbursements appended.

The revenue from 'Salt' which stood at Rs. 3,74,854 in 1090 has risen to Rs. 6,84,239 on account of enhancement of duty and increase of consumption, while the Stamp revenue at the end of 1099 rose to Rs. 6,28,945 on account of general increase in business as against Rs. 4,39,413 in 1090. During this period the Abkari revenue increased from Rs. 5,40,955 to Rs. 9,57,631 due to the policy of securing a maximum revenue from a minimum consumption by the change in the system of abkari farming, viz. the sale of the farm by shops and that under 'Tobacco' from Rs. 1,28,730 to Rs. 2,41,589. The revenue under 'Customs' being the moiety due to the Darbar under the Interportal Trade Convention increased from Rs. 1,83,005 in 1090 to Rs. 7,28,942 in 1099. Another marked increase is under 'Railway' which rose from Rs. 6,68,795 in 1090 to Rs. 11,26,050 in 1099.

As compared with these increases in revenue, the disbursements for services also have shown a tendency for an all-round increase on account of the revision to suit the times and development of establishments and also the expansion of the various departments

such as 'Education', 'Public Works', 'Agriculture and Panchayats', &c. The most noticeable increase is under 'Education', the expenditure under which during the last decade has more than doubled itself, mainly on account of the increase in the number of schools, revision of pay of teachers, &c. The following figures will show the growth of expenditure during the period under this head:—

Year	Lakhs of Rupees.
1090	4.93
1091	5.26
1092	5.50
1093	5.89
1094	6.60
1095	7.85
1096	8.92
1097	8.97
1098	9.18
1099	9.89

It is clear that at this rate of growth it will be impossible to finance education a few years later unless adequate steps are taken to provide permanent sources of revenue for meeting the expenditure.

Another head of service which has nearly doubled itself in the race for expenditure is 'Public Works' as will be evident from the following statement:—

Year	Lakhs of Rupees.
1090	6.93
1091	5.97
1092	5.71
1093	6.68
1094	7.64
1095	11.88
1096	9.67
1097	6.44
1098	11.22
1099	9.01

'Railway' also stands prominent for the large increase in expenditure in recent years. While it stood at Rs. 3.95 lakhs in 1090 it has also shown a tendency to rise as shown below:—

Year	Lakhs of Rupees.
1090	3.93
1091	4.86
1092	3.99
1093	4.35
1094	5.38

Year	Lakhs of Rupees.
1095	6.12
1096	7.28
1097 }	17.98
1098 }	
1099	7.42

It has also to be remarked that the organisation of an Agricultural Department and the development of Village Panchayats have also contributed a good share to the large increase of expenditure as detailed below:—

Year	Lakhs of Rupees.
1090	.25
1091	.39
1092	.50
1093	1.16
1094	.61
1095	1.56
1096	1.12
1097	1.77
1098	1.96
1099	2.02

In this survey of the heads responsible for the general increase in expenditure the organisation and development of an Industries Department under the head 'Scientific &c., Department' cannot be left out of account. The expenditure under this head has in 1099 risen to Rs. 1,72,502 against Rs. 8,483 in 1090.

In spite of these the State general surplus steadily increased from year to year, so that, at the end of 1099, it stood at Rs. 30,00,352 as against Rs. 13,62,636 in 1090.

From the above it will be seen that the expenditure is showing a tendency to outstride the receipts and we consider we have now reached a limit beyond which it will be unsafe to proceed unless new sources of revenue are tapped.

3. Before I enter upon the next year's budget estimate and the anticipations as per revised estimate I shall speak a few words on the accounts of 1099. The total of the revenue under service heads amounted in 1099 to Rs. 61,99,234 and the total disbursements to Rs. 62,30,588 resulting in a deficit of Rs. 31,354 thus reducing the net surplus to the credit of the State

to Rs. 30,00,352. This, it has to be remarked was mainly due to the non-realisation of the Customs Revenue due in 1099 in that year. This is not however the solitary instance of a deficit year. In 1096 and 1098 also we were faced with similar deficits of Rs. 43,096 and Rs. 15,149 respectively.

4. So much, Sir, for the past financial history of the State which I may briefly sum up by saying that beginning with a large surplus in 1073 the State had to pass through a great financial crisis from which she recovered slowly and steadily until she again reached an era of stable equilibrium from which, I submit, it is dangerous to depart.

5. I now come to the figures for the current and the ensuing years. In the current year we budgetted for a total revenue of Rs. 68,56,200 and a total expenditure of Rs. 71,28,300 leaving a deficit of Rs. 2,72,100. According to the revised estimate our revenue is expected to amount to Rs. 71,43,602. This is due to the realisation of the customs dues of the previous year in the current year and to a substantial increase in the dues of the current year which also was realised just now. On the other hand, our expenditure is to fall short of the estimate by Rs. 1,00,500 the budget and revised estimates being Rs. 71,28,300 and Rs. 70,27,800 respectively and the net transactions of the year are expected to result in a surplus of Rs. 4,15,800 as against the deficit of Rs. 2,72,100 budgetted for thus raising the net surplus to Rs. 34,16,152. The increase in revenue is mainly under 'Customs', as already explained, and the fall in expenditure is chiefly under 'Public Works'. The causes for these and other fluctuations will be explained later on in their proper place.

Budget Estimate 1101.

6. For the coming year we anticipate a revenue of Rs. 70,60,300 and we are putting forward proposals for an expenditure of Rs. 71,98,300. The transactions of the year are thus expected to result in a deficit of Rs. 1,38,000. The deficit is mainly caused by our contribution to Harbour Works and the provision for a scheme of supply of electric lighting to the Mattancheri Town.